GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:2291
ANSWERED ON:11.12.2015
Tax Concessions to AP
Kesineni Shri Srinivas;Owaisi Shri Asaduddin;Patil Shri Bheemrao Baswanthrao;Reddy Shri Mekapati Rajamohan

Will the Minister of FINANCE be pleased to state:

a) the details of funds/grants including separate special funds for the new capital, released by the Union Government to Andhra Pradesh during the last three years and the current year;

b) whether the Government proposes to give tax concessions to Andhra Pradesh the lines of Himachal Pradesh, if so, the details thereof;

c) whether the Union Government is aware that the revenue deficit of Andhra Pradesh is likely to be much more than the estimated deficit; and

d) if so, the details thereof and the steps taken by the Union Government to provide additional funds to bridge the revenue deficit?

Answer

MINISTER OF STATE IN MINISTRY OF FINANCE
(SHRI JAYANT SINHA)

(a): Besides devolution of taxes, Central Government provides to the States non-plan grant-in-aid recommended by Finance Commission, grant-in-aid under Central Sector Schemes and Central Assistance for State Plan as provided in Union Budget each year keeping in view national priorities and overall development of the States.

Central transfers to Andhra Pradesh during last 3 years and the current years are as under:
(Rs in Crore)

S. No.	Particulars	Amount released			
		2012-13	2013-14	2014-15	2015-16 (till 9.12.2015)
1	Tax devolution	20270.77	21842.95	13692.42	14552.86
2	Central Assistance for State Plan (source − PFMS)	4595.41	4163.81	17730.70	6594.13
3	Centrally sponsored Schemes (source − PFMS)	3574.97	3466.51	3.10	-
4	Central Sector Scheme (source − PFMS)	447.30	601.63	398.04	361.07
5	FC grants	725.50	2475.69	3518.13	5928.38

Note: Andhra Pradesh and Telangana were bifurcated w.e.f. 02.06.2014. Hence, the release made after 02.06.2014 are for successor State of Andhra Pradesh.

The releases under CSAP during 2014-15 include an amount of Rs. 4403 crore released to the successor state of Andhra Pradesh during 2014-2015 which included Rs. 350 crore @ Rs. 50 crore per district for the development of 7 backward districts covering Rayalaseema & North Coastal region, Rs. 2303 core for bridging resource gap, Rs. 1500 crore for construction of Raj Bhavan & for creating infrastructure facilities in the new capital of the state and Rs. 250 crore for Polavaram irrigation project.

The Central Government has continued to support the programmes for the development of backward districts of Andhra Pradesh and for creation of new capital of Andhra Pradesh for building the essential infrastructure and released further 'Special Assistance' of Rs. 700 crore during the current Financial Year 2015-16 including special assistance of Rs.350 crore (@Rs. 50 crore per district) for the development of 7 backward districts covering Rayalaseema & North Coastal region and Rs. 350 crore for new capital of the state under Demand No. 37 of Ministry of Finance. Further, Rs. 300 crore has been earmarked for Polavaram irrigation project.

(b): Presently, there is no proposal to give tax benefit to Andhra Pradesh on the lines of Himachal Pradesh. However, in order to encourage the setting up of industrial undertakings in the notified backward areas of certain States including State of Andhra Pradesh, the Income-tax Act was amended vide Finance Act, 2015 to provide following direct tax incentives:

(i) Investment allowance of an amount equal to 15% of the cost of specified plant and machinery acquired and installed by an assessee is provided as per section 32AD of the Income-tax Act, ifâ€”

a. he sets up an undertaking or enterprise for manufacture or production of any article or thing on or after 1st April, 2015 in any notified backward areas of these states; and

b. the specified plant and machinery are acquired and installed for the purposes of the said undertaking or enterprise during the period beginning from the 1st April, 2015 and ending with 31st March, 2020.

This deduction is available over and above the existing deduction for investment allowance available under section 32AC of the Act. Accordingly, if a company sets up an undertaking in the notified backward areas in these States, it shall be eligible to claim deduction under the existing provisions of section 32AC of the Income-tax Act as well as under this newly inserted section 32AD of Income-tax Act subject to fulfilling of specified conditions.

(ii) For investment in new plant or machinery, additional depreciation of 20% is allowed under the existing provisions of section 32(1)(iia) of the Income-tax Act in respect of the cost of plant or machinery acquired and installed by certain assessees. The provisions of section 32(1)(iia) of the Act was amended to allow higher additional depreciation at the rate of 35% (instead of 20%) in respect of the actual cost of new specified machinery or plant acquired and installed by a manufacturing undertaking or enterprise which is set up in the notified backward areas of certain states including the State of Andhra Pradesh on or after the 1st day of April, 2015. This higher additional depreciation shall be available in respect of acquisition and installation of any new machinery or plant for the purposes of the said undertaking or enterprise during the period beginning on the 1st day of April, 2015 and ending before the 1st day of April, 2020.

(c) and (d): The State of Andhra Pradesh in its budget estimates for 2015-16 has reported revenue deficit of 1.2% of Gross State Domestic Product as against 0% prescribed by the 14th Finance Commission. The Central Government released Rs. 2303 crore to the State during 2014-15 for bridging the resource gap. Further, Fourteenth Finance Commission has assessed Andhra Pradesh as one of the 11 States to be in post devolution revenue deficit and hence recommended Revenue Deficit (RD) grant of Rs. 22113 crore over its award period to Andhra Pradesh. This includes RD grant of Rs. 6609 crore recommended for 2015-16 of which Rs. 4956.75 Crore has been released so far to State of Andhra Pradesh.
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